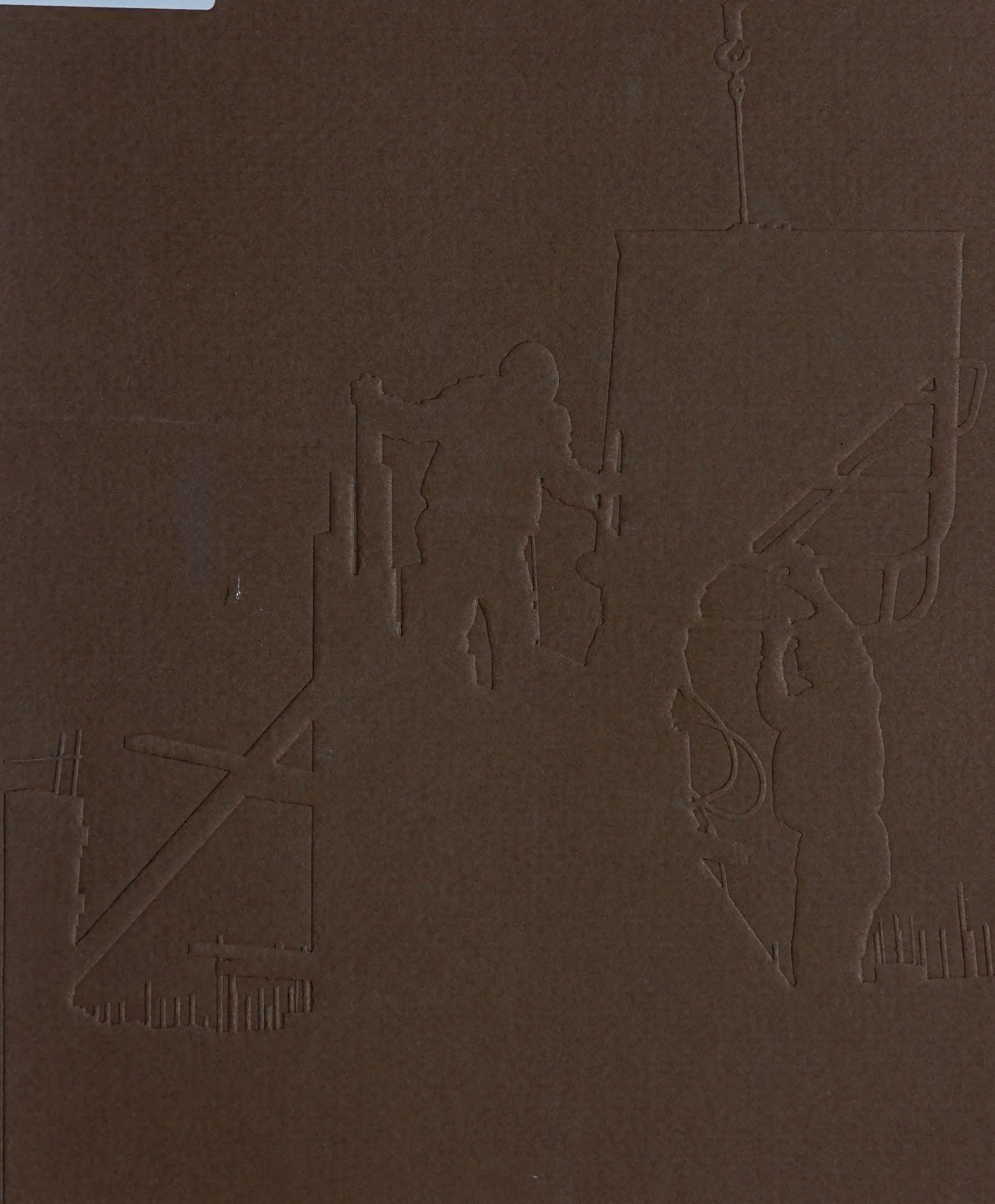
DAWSON DEVELOPMENTS LIMITED ANNUAL REPORT 1970



DIRECTORS

Norman E. Cressey, P.Eng.
Vice-President
Dawson Developments Limited
Vancouver

Graham R. Dawson, P.Eng.
President
Dawson Construction Limited
Vancouver

Roderick M. Hungerford
President
Flex-Lox Industries Ltd.
Vancouver

William B. Laurie, C.A.
Vice-President
Dawson Construction Limited
Vancouver

George B. McKeen
Chairman of the Board
Riv Tow Straits Limited
Vancouver

John W. Poole, P.Eng.
President
Dawson Developments Limited
Vancouver

Robert Thomson
Retired
formerly Executive Director of
Standard Life Assurance Company
Montreal

H. Richard Whittall
Partner
Richardson Securities of Canada
Vancouver

OFFICERS

John W. Poole, P.Eng.
President and Chief Executive Officer

Norman E. Cressey, P.Eng.
Vice-President, Operations

William H. Levine
Vice-President, Finance and Secretary

Kamal G. Rizkalla, B.Comm., C.A.
Comptroller

A MESSAGE FROM THE CHAIRMAN

In the 1969 Annual Report I stated the concern felt by your Company for the provision of adequate housing for Canadian families in the low-income range. It is with great pleasure that I am able to report to you that Dawson Developments Limited is now building 321 low-cost condominium units in the Municipality of Burnaby and the City of Vancouver expressly for this income group.

These projects were made possible through application of the Federal Government's Innovative Housing scheme, the Provincial Government's Home Acquisition Grant, and through zoning changes at the Municipal level. They are being built without subsidy on Company-owned land.

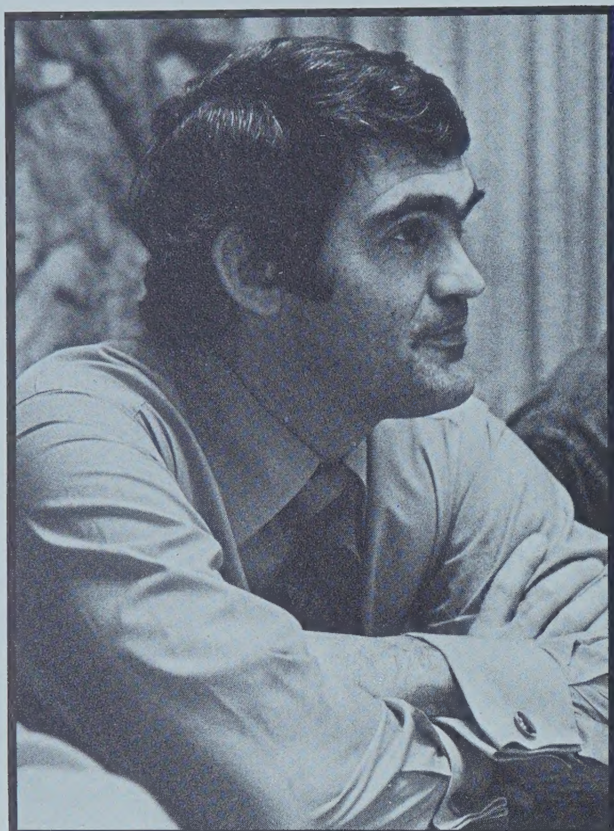
As governments demonstrate in this manner their willingness to participate, your Company will continue to produce good quality low-cost housing consistent with a fair return to our shareholders.

G. R. Dawson,
Chairman of the Board of Directors

HIGHLIGHTS OF OPERATIONS

	1970	*1969*	*1968* (8 mo. period)	*1967*	*1966*
Total Operating Revenues	$15,416,858	$14,875,937	$6,328,564	$5,208,006	$2,299,869
Net Income — Fully Taxed	707,951	781,940	323,830	35,915	88,849
Net Income Per Share	71¢	78¢	43¢	5¢	12¢
Number of Dwelling Units Completed	873	782	405	293	142
Number of Dwelling Units in Progress	877	346	162	—	—

PRESIDENT'S MESSAGE



Fiscal 1970, I am convinced, will one day be acknowledged as the year in which your Company reached financial maturity.

As at October 31, 1970 Dawson Developments Limited has a net worth of $3,180,000 ($2,471,000), long-term debt capital of $4,200,000 (nil), a bank credit of $1,750,000 ($750,000) and total assets of $25,355,000 ($12,977,000). (Bracketed figures are for 1969.) In the same period the value of land held for development (at cost) increased by $2,072,000 and the value of income properties (at cost) increased by $5,656,000.

In a very real sense the financial strength of a real estate development company can be measured by its relationship with lending institutions. Prior to October 1969 our mortgage financing sources were limited to Central Mortgage & Housing Corporation and two insurance companies. In fiscal 1970, in addition to the three sources mentioned, your Company received mortgage commitments from two national trust companies, three chartered banks and an acceptance company. In the same period we gained national recognition when the Company's shares were accepted for listing on the Toronto and Montreal stock exchanges.

We are well capitalized at this time to carry our normal volume of business without having to go to the capital markets. This means that we can financially maintain our anticipated activities in construction, land development and the production of income properties for our own portfolio and for resale.

In 1970 your Company's activities expanded into markets not previously part of its operations. New terms of reference and new areas of responsibility were established. In keeping with good accounting practice, sources of profit were defined. These "Profit Centres" are: Construction Contracts; Land Sales; Real Estate Sales (single family dwellings, condominiums, income property); and Income Property Rentals.

Your Company is starting the current year with a $16,200,000 carryover in construction contracts and real estate developments and, if the present trend continues, total revenue for 1971 will exceed $20,000,000. Mortgage financing has been arranged and construction started on 475 condominium units in Victoria on Vancouver Island, and in the municipalities of Vancouver, Burnaby and Port Moody on the lower mainland of British Columbia. Of these, 321 units in Vancouver and Burnaby are being built for low-income families with special financing by Central Mortgage & Housing Corporation authorized under the Federal Government's Innovative Housing Program.

Your Company's land bank currently totals 1,540 acres. When fully developed, this land will support more than 9,000 dwelling units. We also hold over 800 acres under option. The land bank will not increase materially in 1971; as we sell and develop, it will be our policy to replace the inventory used with raw land that could be five years from maturity.

Your Company will enter the commercial real estate market in 1971 with the completion of a 30,000 square foot warehouse in Burnaby and a 12 storey office building on Pender Street in

Vancouver. A neighbourhood shopping centre will be built in Sparwood for completion in 1971.

The Income Properties Division began the year with 100 rental units. By October 1970 this inventory had grown to 359 units plus 208 that are managed for other owners. A minimum of 430 additional rental units will be completed in 1971. Investors who purchase income properties from us in the future will be offered a management proposal from this division.

1970 was a problem year for the building and real estate industries. Despite this your Company performed well. Net profit after full provision for deferred income taxes was $707,951 or 71¢ per share compared with 78¢ per share the previous year. As mentioned earlier in this report total assets increased by 97% or 12.4 million dollars. Substantial additions to our land bank and income properties portfolio were shown.

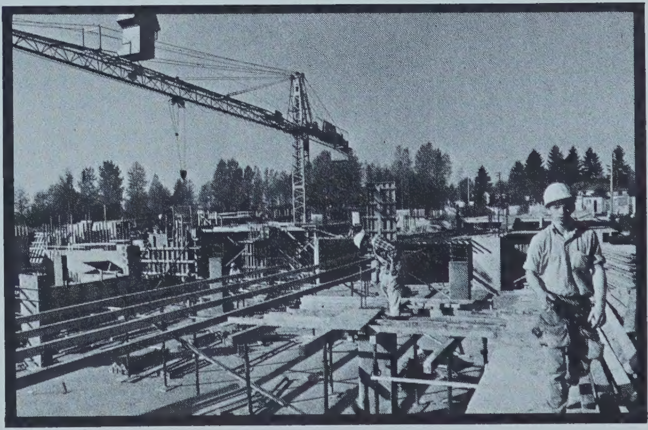
The general outlook for 1971 is favourable. Mortgage funds will be available although at fairly high interest rates. New resource town development continues unabated and the provision of reasonably priced housing is one of the most pressing needs in Canada today.
The strong demand for homes, a good financial position, our maturing land bank and our capacity to produce, place us in an excellent position to participate in the growth of the seventies. I am pleased with our performance in 1970 and I am confident we will continue to prosper in the future.

In closing, I would like to express my appreciation to our employees. They are largely responsible for the Company's continuing success.

January 8, 1971

JOHN W. POOLE,
President.

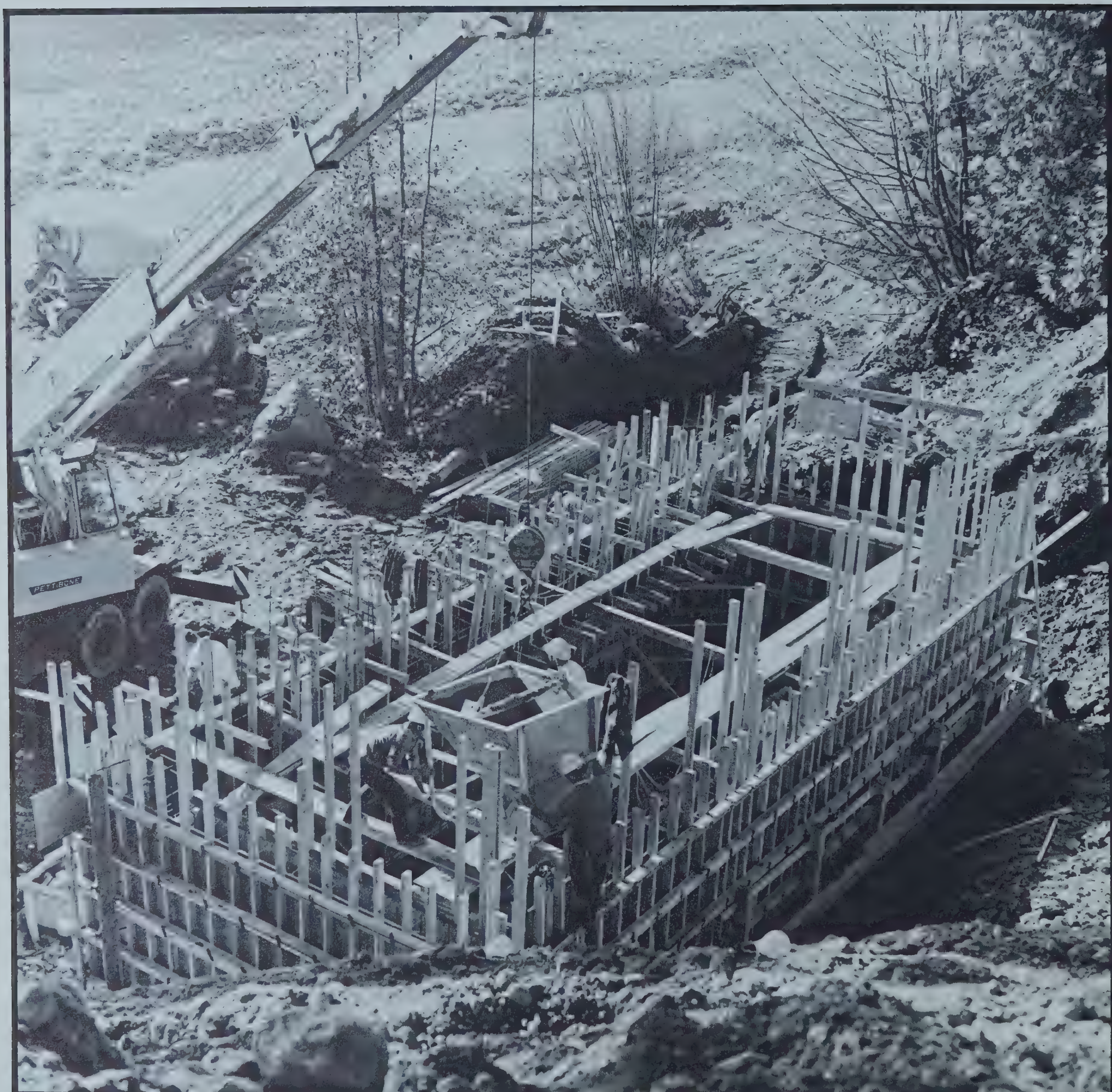
HIGH RISE APARTMENTS
VILLA MONTECITO, BURNABY

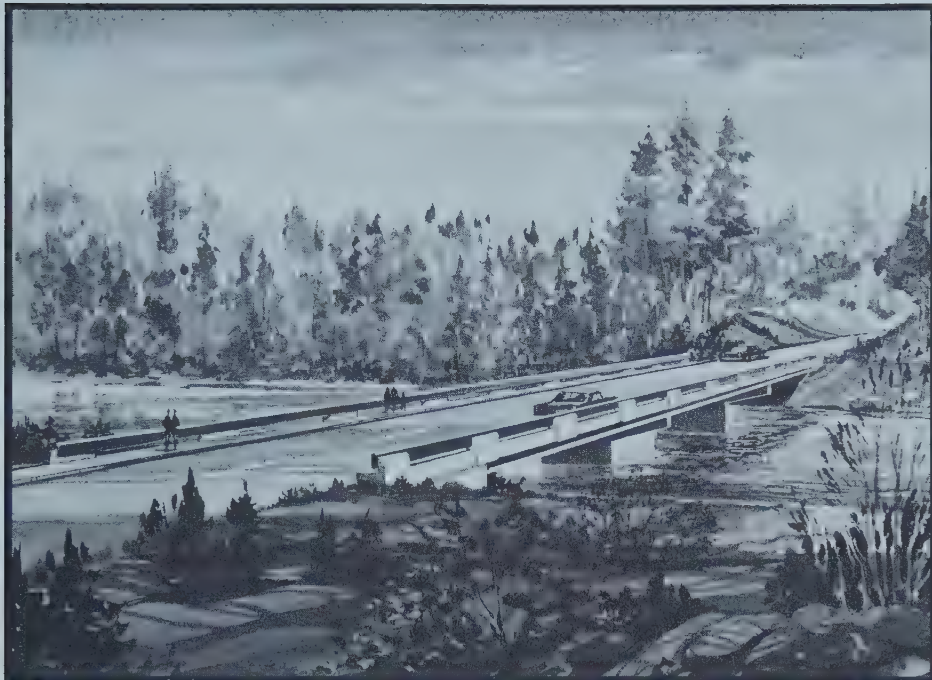


LOW-INCOME CONDOMINIUM
SIMON FRASER HILLS, BURNABY

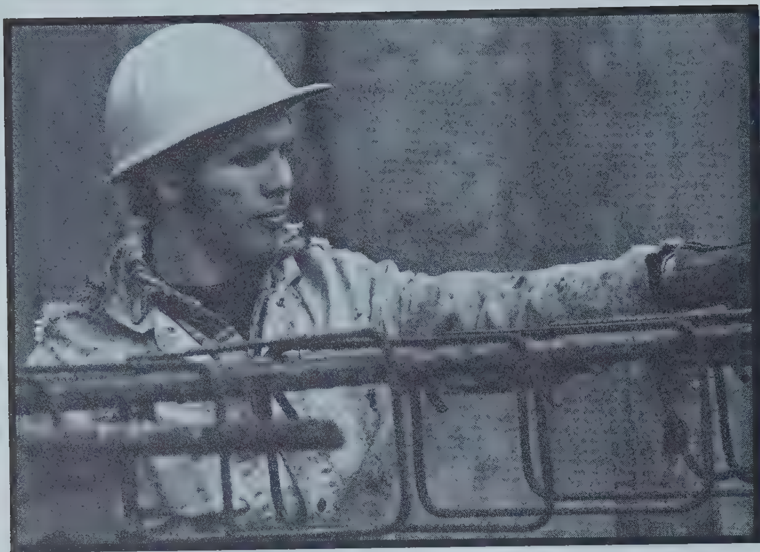

FINNING

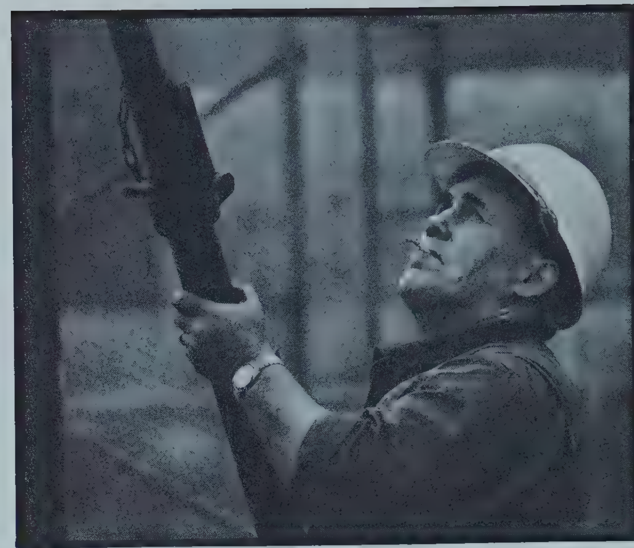
CAPILANO RIVER BRIDGE
WOODCROFT, WEST VANCOUVER

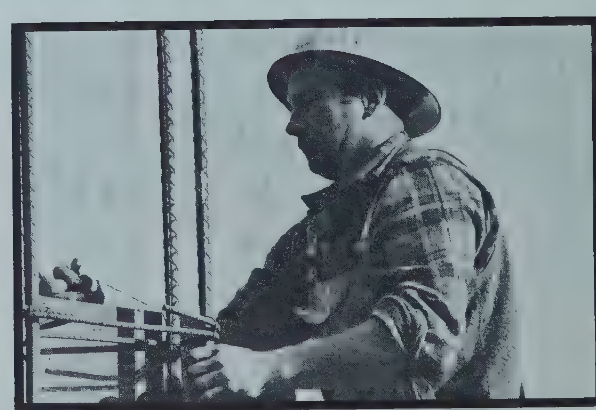




OFFICE BUILDING
1090 WEST PENDER, VANCOUVER







It is common practice for business organizations to acknowledge, at year end, the contributions made by employees to their corporate successes. For Dawson Developments Limited such token recognition is not enough.

A construction-oriented development company however, is like a good football team. The backfield gets the applause but the real heroes are in the line for it is there that the game (or profit) is truly won. In this report we salute the linemen of our team – the project managers, the superintendents, the trades – who must daily surmount obstacles of nature and time to create your Company's products.

AUDITORS' REPORT

To the Shareholders,
Dawson Developments Limited

We have examined the consolidated balance sheet of Dawson Developments Limited (a British Columbia Company) and subsidiaries as of October 31, 1970, and related consolidated statements of income and source and application of cash funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and source and application of cash funds present fairly thé financial position of Dawson Developments Limited and subsidiaries as of October 31, 1970, and the results of their operations and source and application of cash funds for the year then ended, in conformity with generally accepted accounting principles. Except for the change to the sinking fund method of determining depreciation and to the capitalization of net operating deficiencies during the initial rental stage of income properties as explained in Note 2 to the financial statements, in our opinion, the accounting principles were applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
December 4, 1970.

ARTHUR ANDERSEN & CO.,
Chartered Accountants.

DAWSON DEVELOPMENTS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED OCTOBER 31, 1970 AND 1969

	1970	1969
REVENUE (Notes 3 and 4)	$15,416,858	$14,875,937
COST OF SALES (Notes 3 and 4)	13,118,003	12,675,815
GROSS INCOME	2,298,855	2,200,122
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	706,613	502,835
DEPRECIATION AND DEFERRED CHARGES WRITTEN OFF (Note 2)	153,369	132,900
INTEREST EXPENSE	291,095	111,499
	1,151,077	747,234
	1,147,778	1,452,888
OTHER INCOME	256,673	124,052
INCOME BEFORE INCOME TAXES	1,404,451	1,576,940
PROVISION FOR INCOME TAXES	696,500	795,000
NET INCOME (Note 2)	$ 707,951	$ 781,940
EARNINGS PER SHARE	71¢	78¢

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS — OCTOBER 31, 1970 AND 1969

Assets

	1970	1969
CASH AND DEPOSIT RECEIPTS	$ 36,648	$ 100,000
RECEIVABLES: (Note 5)		
Progress billings and sales	2,617,995	2,741,399
Retentions	230,452	1,139,295
Affiliates	323,544	196,835
Note	148,750	—
Mortgage advances	835,000	500,000
Agreements for sale (Note 6)	2,697,855	372,351
LAND HELD FOR DEVELOPMENT (Notes 7 and 8)	5,718,421	3,646,119
EXCESS OF COSTS ON INCOMPLETE CONTRACTS OVER BILLINGS OF $572,486	207,738	—
REAL ESTATE HELD FOR RESALE, at lower of cost or market	1,634,356	—
INVESTMENTS IN AND ADVANCES TO AFFILIATES (Note 9)	190,251	64,539
INCOME PROPERTIES UNDER CONSTRUCTION (Note 10)	2,006,438	2,056,645
INCOME PROPERTIES, at cost, less accumulated depreciation of 1970 — $46,905; 1969 — $5,200 (Notes 2 and 10)	7,065,958	1,410,318
LEASEHOLD INTEREST IN LAND UNDER DEVELOPMENT (Note 11)	1,167,000	488,000
EQUIPMENT, at cost, less accumulated depreciation of 1970 — $160,379; 1969 — $128,910	228,260	225,387
DEFERRED CHARGES less amortization of 1970 — $14,640; 1969 — NIL	246,500	36.563
	$25,355,166	$12,977,451

Approved on behalf of the Board:

GRAHAM R. DAWSON, *Director*

JOHN WILSON POOLE, *Director*

The accompanying notes are an integral part of these financial statements.

Liabilities

	1970	1969
BANK LOAN (Note 5)	$ 474,984	$ 349,700
PAYABLES:		
Trade	3,912,421	3,551,011
Affiliates	—	68,577
Income Taxes	—	64,266
AGREEMENTS FOR SALE PAYABLE ON LAND (Note 8)	3,413,877	2,352,082
EXCESS OF BILLINGS ON INCOMPLETE CONTRACTS OVER COSTS OF $583,541	—	40,794
MORTGAGE ADVANCES ON REAL ESTATE HELD FOR RESALE	2,213,356	—
MORTGAGES PAYABLE ON INCOME PROPERTIES (Note 10)	5,146,838	2,643,782
LONG TERM LEASE OBLIGATIONS (Note 11)	1,167,000	488,000
DEFERRED INCOME TAXES	1,646,232	947,732
8.5% CONVERTIBLE SINKING FUND DEBENTURES, Series A (Note 12)	4,200,000	—
CONTINGENT LIABILITIES AND COMMITMENTS (Note 14)		
SHAREHOLDER'S EQUITY:		
Capital (Notes 12 and 13)		
Shares, without par value, authorized 3,000,000 shares; outstanding 1970 — 1,100,200; 1969 — 1,000,000 shares	1,151,004	1,150,004
Retained earnings (Note 12)		
Balance, beginning of year	1,321,503	539,563
Net income	707,951	781,940
Balance, end of year	2,029,454	1,321,503
	3,180,458	2,471,507
	$25,355,166	$12,977,451

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF CASH FUNDS

FOR THE YEARS ENDED OCTOBER 31, 1970 AND 1969

	1970	1969
SOURCE OF CASH FUNDS:		
Operations —		
Net income	$ 707,951	$ 781,940
Non-cash charges deducted in arriving at net income —		
Depreciation (Note 2)	138,729	132,900
Deferred charges written off	14,640	—
Deferred income taxes	696,500	525,648
Less — earnings of affiliate included in income above (Note 9)	(7,694)	(13,230)
Cash funds provided from operations	1,550,126	1,427,258
Agreements for sale on land (Note 8)	2,717,509	—
Mortgage advances on income properties (Note 10)	1,079,803	1,813,000
Mortgage advances on real estate held for resale	2,213,356	—
Proceeds of share issue (Notes 12 and 13)	1,000	1,113,437
Proceeds of debenture issue, net of discount (Note 12)	4,032,000	—
Decrease in receivables	390,932	—
Increase in payables	361,410	2,664,642
Increase in cash and bank borrowing	188,636	428,508
	$12,534,772	$7,446,845

	1970	1969
APPLICATION OF CASH FUNDS:		
Net additions to income properties (Notes 2 and 10)	$ 4,263,344	$1,653,613
Net additions to equipment	73,957	213,445
Investments in affiliates (Note 9)	118,018	64,489
Agreements receivable (Note 6)	2,325,504	89,930
Land held for development (Notes 7 and 8)	2,072,302	2,323,504
Mortgages receivable	335,000	500,000
Deferred charges	56,577	—
Decrease in agreements for sale payable	1,655,714	—
Real estate held for resale	1,634,356	—
Accounts receivable	—	2,601,864
	$12,534,772	$7,446,845

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1970

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the assets and liabilities and the results of operations of the wholly owned subsidiaries, Vista Gardens Development Ltd., D.D.L. Imports Ltd., Polar Construction Co. Limited, P. & D. Construction Ltd., and 51% owned subsidiary Montecito Apartments Ltd.

2. CHANGE OF ACCOUNTING POLICIES FOR INCOME PROPERTIES:

Effective November 1, 1969 the Company changed its method of accounting for depreciation from a 4% straight line method to the sinking fund method based on 3% over 40 years. Had this change in policy been applied to the statements for the year ended October 31, 1969 the net income would have been increased by $17,670.

The Company has adopted a policy whereby operating deficiencies of income properties, if any, are deferred until 70% occupancy is attained, or until six months from the date of completion of construction of the property, whichever is earlier. The deferred operating deficiencies are capitalized and amortized in accordance with the above depreciation policy on income properties. Net operating deficiencies capitalized in the current year amount to $199,840. There were no comparable amounts in the 1969 financial statement.

3. CONSTRUCTION CONTRACT REVENUE:

The Company uses the completed contract method of recording revenue and costs on fixed sum contracts. Under this method, revenue and costs are deferred until the project is 85% complete and costs to complete can be reasonably ascertained. Claims by or against owners, relating to adjustments arising out of contracts completed in prior years are generally recorded in the year such claims or adjustments are resolved.

4. REVENUE AND COST OF SALES:

The details of revenue and cost of sales are as follows:

	1970			1969		
	(Stated in $000)					
	Revenue	Cost of Sales	Gross Income	Revenue	Cost of Sales	Gross Income
Construction Contract	$ 6,403	$ 6,024	$ 379	$12,098	$10,599	$1,499
Land	3,215	2,164	1,051	306	155	151
Real Estate	5,560	4,870	690	2,234	1,819	415
Income Property Rental	239	60	179	238	103	135
	$15,417	$13,118	$2,299	$14,876	$12,676	$2,200

5. BANK BORROWINGS:

The Company's bank borrowings are secured by an assignment of accounts receivable and the Company has also agreed to provide its bankers with a floating charge on the property of the company and to assign certain agreements for sale receivable to its bankers.

6. AGREEMENTS FOR SALE RECEIVABLE:

Agreements for sale receivable are as follows:

8% — $250,000 due June 15, 1971 and 1972 together with accrued interest	$ 516,667
9% — $170,000 due December 31, 1970, $365,000 due June 30, 1971 and 1972 and $310,000 June 30, 1973	1,210,000
9.75% — monthly payments of $1500 for principal and interest to December 1, 1980 — balance due January 1, 1981	174,491
Non-interest bearing due — December 31, 1970	49,927
Non-interest bearing due — December 31, 1971	75,000
Non-interest bearing receivable from affiliate	403,643
Other interest bearing agreements for sale receivable	268,127
	$2,697,855

7. LAND HELD FOR DEVELOPMENT:

Land held for development is stated at cost plus interest, property taxes, development costs and professional fees. The details of land account are as follows:

	1970	1969
Land, at cost	$5,002,461	$3,390,732
Development costs	63,528	78,049
Interest	392,470	123,999
Taxes and professional fees	259,962	53,339
	$5,718,421	$3,646,119

The interest above represents the cost of funds borrowed to finance the acquisition of land.

8. AGREEMENTS FOR SALE PAYABLE ON LAND:

The agreements for sale payable bear interest at a weighted average rate of 7.7%. Principal payments are due on these agreements as follows:

Year ending	1970	1969
October 31, 1970	—	$ 744,042
October 31, 1971	$ 770,604	278,400
October 31, 1972	823,601	489,840
October 31, 1973	474,448	232,400
October 31, 1974	443,974	232,400
October 31, 1975	299,440	110,000
October 31, 1976	170,587	110,000
October 31, 1977	171,043	110,000
October 31, 1978	110,580	10,000
October 31, 1979	110,000	10,000
October 31, 1980 and subsequent	39,600	25,000
	$3,413,877	$2,352,082

9. INVESTMENTS IN AND ADVANCES TO AFFILIATES:

The Company owns 50% of Hi-View Estates Ltd., Dawnex Properties Ltd. and College Park Developments (1970) Ltd. Investments in these companies are accounted for on the equity basis and accordingly $7,694 has been included in the current year's income being the company's share of the net income of these affiliates. The advances to these companies at October 31, 1970 amounted to $166,676.

10. MORTGAGES PAYABLE ON INCOME PROPERTIES:

The mortgages payable on income properties are as follows:

8.5% payable in monthly installments of $15,929 for principal and interest to January 2001	$2,100,000
8.5% payable in monthly installments of $4,551 for principal and interest to March 2001	600,000
8.875% payable in monthly installments of $12,508 for principal, interest and taxes to April 2000	1,270,819
Non-interest bearing payable at $40,000 on March 31, 1973, October 31, 1975, March 31, 1977 and October 31, 1980	160,000
9.5% mortgage advance on income property under construction	644,778
9.5% mortgage advance on income property under construction	371,241
	$5,146,838

11. LEASEHOLD INTEREST:

The Companies have entered into lease agreements for terms up to 71 years. The annual rentals amount to $99,855 until 1976 when the first of these leases is adjusted in accordance with terms contained in the lease. The actuarially computed present value of the rentals required to be paid under the leases has been

capitalized as "Leasehold Interest in Land Under Development" and the corresponding liability has been set up as "Long Term Lease Obligations".

12. 8.5% CONVERTIBLE SINKING FUND DEBENTURES, SERIES A, MATURING MARCH 15, 1985:

The Series A Debentures are secured by a floating charge on the assets of the Company.

Under the terms of the Trust Indenture, the Company may declare dividends if the effect of paying such dividends does not reduce the Company's retained earnings below $1,320,503.

Commencing March 15, 1976 an amount sufficient to retire $420,000 of debenture principal must be paid annually to a sinking fund.

The debentures may be redeemed for other than sinking fund purposes under certain conditions at a maximum premium of 104.8% of the principal amount.

The debentures may be converted into common shares on the basis of 120 fully paid shares of the company for each $1,000 of debenture principal up to and including March 15, 1980.

13. STOCK OPTIONS:

The Company has a stock option plan under which options have been granted to certain directors, officers and employees of the Company at an option price of $5.00 per share as follows:

Date of Options	Options granted to Directors and Officers	Options granted to other employees
January 1, 1969 expiring December 31, 1974	5,000	5,000
May 27, 1970 expiring May 27, 1975	15,000	21,700
	20,000	26,700

The options granted are for a 5 year period but can be excercised not more than 20% on a cumulative basis in each year.

Options exercised during the year were 200 shares at $5.00 each in cash.

14. CONTINGENT LIABILITIES AND COMMITMENTS:

The Company is contingently liable for the following:

A. Guarantee of bank borrowings of an affiliate to the extent of $600,000. The effective amount of the guarantee as of October 31, 1970 was $260,000.

B. Guarantee of payments of agreements for sale on land purchased by an affiliated company. The outstanding balance on these agreements is $361,750.

C. Usual liabilities of contractors for the completion of contracts.

D. The Company has agreed to re-acquire all the issued shares and to repay shareholders' loans of a real estate development company for a maximum price of $282,221 and expenses incurred by that company in the clearing of titles to land held by the said real estate development company, provided such titles can, on or before October 31, 1973, be cleared. Expenses incurred by the real estate development company to October 31, 1970 are $121,422.

E. First mortgages of approximately $5,700,000 assumed by purchasers on property sold during the year. The Company is liable to the mortgagees in the event of default to the extent that foreclosure proceeds are less than mortgages. Management considers the likelihood of being liable under the terms of the mortgages is extremely remote.

F. The Company is committed, subject to the vendor's ability to give clear title, to acquire a parcel of land in exchange for 40,000 common shares.

15. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS:

The aggregate remuneration paid by the Company and its subsidiaries directly or indirectly to the Directors and Senior Officers of the Company for the year ended October 31, 1970 amounted to $134,265.

DAWSON developments limited
KEY TO CONTEMPORARY LIVING

HEAD OFFICE: 745 Clark Drive, Vancouver

CALGARY OFFICE:
415 – 36th Avenue South East, Calgary

The auditors of the Company are
Messrs. Arthur Andersen & Co.,
Chartered Accountants,
1055 West Hastings Street, Vancouver

The transfer agent and registrar for the shares and debentures of the Company is National Trust Company, Limited at its principal offices located in Montreal, Toronto, Winnipeg, Calgary and Vancouver and through its agent, Canada Permanent Trust Company in Regina.

Stock listed:
Vancouver Stock Exchange
Toronto Stock Exchange
Montreal Stock Exchange

LITHOGRAPHED IN CANADA AGENCY PRESS LIMITED

STATEMENT OF INCOME FOR THE SIX MONTHS ENDED APRIL 30, 1970

(Prepared Without Audit)

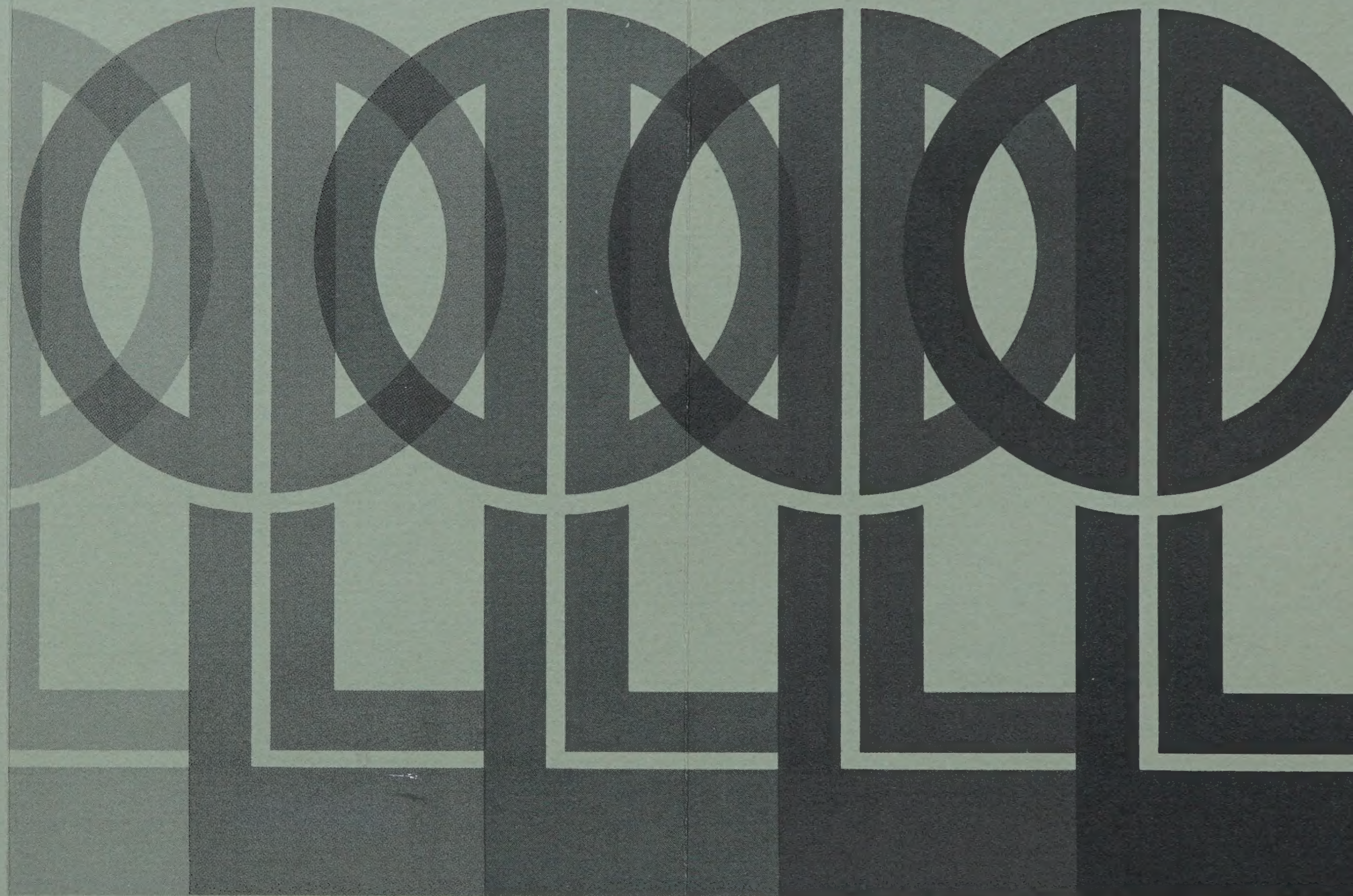
Operating revenue		$3,920,658
Operating costs		3,080,544
Gross Profit		840,114
Administrative expense		343,824
Profit before under noted items		496,290
Interest expense	28,759	
Depreciation	29,499	
Income taxes	217,300	275,558
Net Income for the period		$ 220,732

DAON

INTERIM REPORT

For six months ending

April 30, 1970



DAWSON developments limited

KEY TO CONTEMPORARY LIVING

INTERIM REPORT TO SHAREHOLDERS

I am pleased to submit a summary of operations for the six month period ending April 30, 1970 with comparable figures for the same period in 1969.

	1970	1969
Net Earnings (fully taxed)	$ 220,732	$ 54,965
Net Earnings Per Share	22¢	5¢
Operating Revenue	3,920,658	1,424,045
Value of Construction in Progress	5,859,000	9,451,045

Your Company's concern about housing for Canadian families in lower income brackets has been expressed previously. We have implemented this concern with proposals delivered to Central Mortgage & Housing Corporation to construct 900 low-cost housing units in Vancouver, Calgary and Edmonton. We believe the demand for this kind of dwelling will continue for some years and expect to devote a considerable part of our capacity to the production of low-cost housing.

The Agreement between Dawson Developments Limited and Neonex International Ltd., which created Dawnex Properties Ltd. was reviewed after 9 months. A candid reassessment of corporate objectives was made by your Company and Neonex, with the result that the development program was amicably terminated. Total advance to Dawnex for park development was less than $150,000 and this entire amount should be recovered upon sale of the High River Mobile Home Park.

Tenders and proposals are outstanding on a number of major housing contracts in Alberta and British Columbia and confirmation of these contracts will add to the value of construction in progress. Anticipated total construction revenue for the current year should be approximately equal to last year; revenue from the Land Development Division will show a significant increase.

We are confident that a satisfactory level of earnings will be maintained for the balance of our fiscal year.

FOR THE BOARD OF DIRECTORS

J. W. Poole, *President.*

CONSOLIDATED BALANCE SHEET AS AT APRIL 30, 1970

(Prepared Without Audit)

ASSETS

Current		$ 8,460,358
Agreements for sale receivable		1,067,505
Income properties under construction, at cost		3,973,227
Income producing properties, at cost, less accumulated depreciation		3,070,179
Equipment, at cost, less accumulated depreciation of $157,131		215,511
Deferred charges		237,632
		$17,024,412

LIABILITIES

Current		$ 4,440,609
8.5% debenture payable		4,200,000
Mortgages payable		4,677,279
Deferred income taxes		1,019,732
		14,337,620

SHAREHOLDERS' EQUITY

Capital:		
Common shares without par value		
Authorized 3,000,000 common shares		
Issued 1,000,200 common shares		1,151,004
Retained Earnings:		
Balance November 1, 1969	$1,315,056	
Add — income for the period	220,732	
Balance April 30, 1970		1,535,788
		2,686,792
		$17,024,412

STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED
APRIL 30, 1969

(Prepared Without Audit)

Operating revenue	$1,424,045
Operating costs	1,206,137
Operating profit before undernoted items	217,908
Investment income - net	7,461
	225,369
Depreciation	55,700
Mortgage interest	61,704
Income taxes	53,000
	170,404
Net income	$ 54,956

INTERIM REPORT
for Six Months ending
April 30, 1969

DAWSON developments limited
KEY TO CONTEMPORARY LIVING.

REPORT TO SHAREHOLDERS

A summary of operations for the six month period ending April 30, 1969 compared with the same period in 1968 follows:

	April 30/69	April 30/68
Net earnings (loss)	54,965	(32,000)
Value of construction contracts in progress (not including revenue producing projects)	9,461,045	5,840,637
Revenue producing property under development at projected total cost	5,280,000	Nil
Land held for development at cost	2,916,218	216,150

Major expansion during the current year will be in the rental housing division which will add 384 units to our investment portfolio. Our land development division will, fôr the first time, offer serviced building lots for sale to the general public.

The company uses the completed contract method of recording revenue and costs on lump sum contracts. Net earning on lump sum contracts will not be reported until the contract is 85% complete. It should be noted that the six month period ending April 30th is the period when projects are starting. Therefore profits shown are not representative of those expected for the year ending October 31, 1969.

The company expects 85% completion this year on all lump sum contracts and net profits from these contracts should be recorded for the year ending October 31, 1969. Due to the increase in volume of business, it is anticipated that the net profit for the year will be substantially above the previous fiscal period.

The Board of Directors wish to acknowledge the capable and loyal performance of the management team and all its employees. Without their efforts, the current program of expansion would not be possible.

For the Board of Directors,

John W. Poole,
President.

Vancouver, B. C.
May 26, 1969.

BALANCE SHEET AS AT APRIL 30, 1969

(Prepared Without Audit)

Assets

Current		$5,370,991
Investments - at cost		
Shares in affiliate company	$ 50	
Revenue producing properties less accumulated depreciation of 85,499	736,009	
Revenue producing properties under construction	761,142	
Agreement receivable	301,693	1,798,894
Equipment, at cost less accumulated depreciation of $79,310		89,144
Organization and financing costs		27,378
		$7,286,407

Liabilities

Current	$4,515,177
Mortgages and agreements for sale	866,348
Deferred income taxes	160,350
	$5,541,875

Shareholders Equity

Capital		
Shares without par value		
Authorized 3,000,000 shares		
Issued 1,000,000 shares		$1,150,004
Retained earnings		
Balance November 1, 1968	$539,563	
Add: Income for period	54,965	
Balance April 30, 1969		594,528
		$1,744,532
		$7,286,407